Massey-Ferguson Limited

ANNUAL REPORT / 1961

COVER ILLUSTRATION

The advantages of combine harvesting have been made available to grain growers in foothill country and similar hilly areas by the Massey-Ferguson hillside model. An automatic device keeps the body of the machine level for efficient threshing and cleaning with minimum loss while the table with reel and cutter bar tilts to stay parallel with the contour of the ground.

. . . .

The M-F self-propelled combine emerging from the courtyard of a farmstead built in 1700 at Hessloch in a typical wine, grain and tobacco area of south-western Germany, typifies the trend to mechanization of agriculture in Western Europe in recent years. Wherever and whenever the demands of industrial expansion attract manpower away from the rural areas, farmers turn to the time and labour saving advantages of modern equipment to help them maintain efficient, low-cost production.

Massey-Ferguson Limited

200 UNIVERSITY AVE., TORONTO 1, CANADA

Jan 29/61

DIRECTORS

*W. Eric Phillips
Chairman of the Board and Chief Executive Officer

*E. P. Taylor
Chairman, Executive Committee

*M. Wallace McCutcheon, Q.C.
Deputy Chairman, Executive Committee

The Marquess of Abergavenny — Henry Borden, Q.C. — Hon. G. Peter Campbell, Q.C.

H. J. Carmichael — Lord Crathorne — Charles L. Gundy — Walter Lattman — John D. Leitch

R. W. Main — *John A. McDougald — John H. Shiner

*Albert A. Thornbrough — H. A. Wallace — *Colin W. Webster — Eric W. Young

**Member of Executive Committee*

CORPORATE MANAGEMENT

W. Eric Phillips, *Chairman of the Board and Chief Executive Officer*

A. A. Thornbrough, *President*

W. Lattman, *Group Vice President*

J. H. Shiner, *Vice President, Marketing*

H. A. Wallace, *Vice President, Manufacturing*

E. W. Young, *Vice President, Managing Director, Massey-Ferguson Holdings Limited*

J. A. Belford, *Vice President, Personnel and Industrial Relations*

J. J. Jaeger, *Vice President, Engineering*

J. G. Staiger, *Vice President and Assistant to the President*

K. C. Tiffany, *Vice President, Finance*

W. W. Mawhinney, *Vice President, International Export Operations Manager*

J. W. Beith, *Director, Special Operations*

J. J. Chluski, *Director, Planning and Procurement*

H. G. Kettle, *Director, Public Relations*

H. A. R. Powell, *Assistant to the President*

J. E. Zimmerman, *Comptroller*

W. M. Alexander, *Patent Counsel*

R. W. Main, *Secretary*

OPERATIONS MANAGEMENT

AUSTRALIAN
H. P. Weber
Managing Director, Massey-Ferguson (Australia) Limited

FRENCH
W. Lattman
Group Vice President, Président-Directeur Général, Massey-Ferguson, S.A.

GERMAN
R. A. Diez
General Manager, Massey-Ferguson G.m.b.H.

NORTH AMERICAN
J. G. Staiger
Vice President, General Manager

UNITED KINGDOM
G. A. Hunt
Managing Director, Massey-Ferguson (United Kingdom) Limited

PERKINS
M. I. Prichard
Managing Director, F. Perkins Limited

TRANSFER AGENTS AND REGISTRARS

PREFERRED SHARES	TRANSFER AGENTS	REGISTRARS
Toronto, Montreal, Winnipeg and Vancouver	Montreal Trust Company	Crown Trust Company
Halifax	Montreal Trust Company	Canadian Imperial Bank of Commerce
London, England	The British Empire Trust Company, Limited	The British Empire Trust Company, Limited

COMMON SHARES	TRANSFER AGENTS	REGISTRARS
Toronto	National Trust Company Limited	Canada Permanent Toronto General Trust Company
Montreal	Canada Permanent Toronto General Trust Company	Canadian Imperial Bank of Commerce
Vancouver, Winnipeg	National Trust Company Limited	National Trust Company Limited
Halifax	Canadian Imperial Bank of Commerce	Canadian Imperial Bank of Commerce
New York, N.Y.	The Canadian Bank of Commerce Trust Company	The Canadian Bank of Commerce Trust Company
London, England	The British Empire Trust Company, Limited	The British Empire Trust Company, Limited

FINANCIAL HIGHLIGHTS

	1961	1960	1959	1958	1957	1956
Net sales	$519,314,961	$490,413,988	$475,543,641	$420,209,743	$390,757,516	$355,124,151
Net income or (loss) before tax credits	$ 12,146,921	$ 9,253,944	$ 13,818,393	$ 9,625,282	$ (9,783,693)	$ (909,511)
Tax credits	3,100,000	3,900,000	7,200,000	3,400,000	5,046,352	4,068,842
Net income or (loss)	$ 15,246,921	$ 13,153,944	$ 21,018,393	$ 13,025,282	$ (4,737,341)	$ 3,159,331
Total dividends—						
On preferred shares	$ 1,418,313	$ 1,418,986	$ 1,091,587	$ 1,094,094	$ 1,101,273	$ 1,110,048
On common shares	$ 4,860,450	$ 4,836,077	$ 4,654,002	$ 3,818,441	$ 3,807,528	$ 4,759,402
Per common share—						
Net income or (loss) before tax credits	$ .88	$ .65	$1.05	$ .89	$(1.14)	$(.21)
Tax credits	.25	.32	.60	.36	.53	.43
Net income or (loss)	$1.13	$ .97	$1.65	$1.25	$ (.61)	$ .22
Dividends	40¢	40¢	40¢	40¢	40¢	50¢
Net current assets (working capital)	$171,424,085	$175,572,190	$174,849,284	$153,506,389	$156,417,612	$170,275,865
Current ratio	1.9	2.1	2.0	2.8	3.5	3.7
Additions to fixed assets including assets of acquired companies	$ 25,656,817	$ 16,932,739	$ 68,906,886	$ 16,300,759	$ 12,227,842	$ 14,720,723
Depreciation, and amortization of production tooling	$ 19,130,421	$ 18,761,090	$ 12,130,775	$ 8,584,503	$ 8,367,023	$ 7,095,946
Long term debt	$ 95,835,142	$ 98,424,992	$100,766,263	$ 74,237,838	$ 78,007,310	$ 78,504,288
Common share capital and retained earnings	$184,844,817	$174,960,117	$167,914,596	$129,001,850	$120,636,338	$130,245,223
Equity per share of common stock	$15.03	$14.34	$13.79	$13.39	$12.56	$13.57
Convertible 5½% and 4½% preferred shares outstanding	259,610	259,665	259,860	242,570	243,646	245,596
Common shares outstanding	12,200,868	12,098,471	12,075,911	9,552,248	9,519,155	9,519,155
Number of shareholders	40,089	42,171	41,459	34,024	35,398	34,535
Average number of employees	38,397	35,376	29,955	23,808	21,481	23,232

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

FOR THE YEAR ENDED OCTOBER 31, 1961

On behalf of the Board of Directors, we are pleased to present the annual report on the operations, financial results and position of your Company for the 1961 fiscal year.

Consolidated net sales were $519,314,961 — up $28,900,973 from 1960. This is the first time in the history of the Company that sales have exceeded the $500 million mark. While sales in the United States and Canada were down $17,023,000, and sales in Australia were lower by $2,902,000, significant increases were achieved in the United Kingdom, Germany and international export markets.

Net income increased to $15,246,921, including tax credits of $3,100,000, from $13,153,944 including tax credits of $3,900,000 in 1960. Earnings per common share were $1.13 including tax credits of 25 cents, compared with 97 cents including tax credits of 32 cents in 1960.

Dividends totalling $1,418,313 were declared in 1961 on the preferred shares. Four quarterly dividend payments of 10 cents per common share were made during the year, for total common share dividends of $4,860,450.

It is now five years since we began an extensive reorganization of every aspect of our operations world-wide. It would seem timely to review briefly some of the more important changes brought about during this period.

We recognized five years ago that we had to become, in the fullest sense, a world-wide manufacturing concern with greater control of our product and of its production. With the acquisition or construction of new production facilities in the United States, United Kingdom, France, Italy, South Africa and Brazil, and the disposal of several uneconomic plants, we now consider that the 26 factories we operate world-wide are

1961 REPORT OF THE DIRECTORS TO THE SHAREHOLDERS CONTINUED

satisfactory for current needs — the most important of them having first-class modern facilities and toolage.

Of prime significance among these acquisitions were the diesel engine manufacturing facilities in Peterborough and the large tractor plant in Coventry, England. Whereas in 1956 we manufactured less than 25 per cent of our total product, today the figure is approximately 80 per cent.

It was, and continues to be, our firm conviction that identifying new product requirements world-wide, their selection, development and eventual introduction must be a top priority senior management activity. Much progress has been made in broadening and strengthening our product line, and the acceptance of our tractors, combines and diesel engine units has resulted in your Company becoming the largest manufacturer world-wide of these products.

Particular mention should be made of parts supply and service. This is a part of our business to which we attach the greatest possible importance. Three years ago we set up the first of a completely new type of central parts control system and installation at Racine, Wisconsin. This was followed by a similar facility in France. Last year in the United Kingdom we opened a central parts warehouse of 700,000 square feet, probably the most modern in the industry.

Finally we consider the evolution of a new form of management structure to have been a vital aspect of our reorganization. This structure — consisting of corporate staff, operations units, export operations and special operations — now appears to be well suited to our international business and ensures effective administration and control of our multi-national activities.

Sales have increased during these past five years from about $350 million to over $500 million. In the United States — the biggest single farm machinery market in the world — we have moved from seventh to third place. With sales of $50 million in Canada we have the dominant share of the market. This, however, represents only 10 per cent of our total sales. Outside of North America — in Europe, Australia, Africa and elsewhere — our sales of over $300 million are by far the largest in the industry.

Against this background we now turn to comment on the current activities in each of our major markets, beginning with those in which unfavourable factors were encountered in 1961.

In France, continuing unsatisfactory costs resulted in less favourable operations than had been expected. Conditions there of the agricultural economy make satisfactory profits from French operations difficult to achieve in the short term. A program of cost reduction has been instituted with assistance from corporate management. It is expected that marked progress will be made toward re-establishing ourselves in this very important market which substantially exceeds that of Canada.

Drought conditions in the Company's important markets in western Canada and in the western United States disrupted 1961 production plans in the Canadian factories and had a significant unfavourable impact on sales of large machines such as combines, hay balers and heavy tractors. Nevertheless, wholesale sales of new machines in the aggregate were at approximately the level of retail sales by dealers, with the result that dealer inventories in North America at October 31, 1961 were generally balanced satisfactorily for the opening of the 1962 fiscal year. Planning for 1962 is premised upon maintaining a favourable ratio of factory shipments to retail sales, while retaining the flexibility necessary in the important North American market.

We continue to obtain a leading share of the Canadian market, which is estimated at about $250 million annually. In the United States, in an estimated $1.5 billion market, while our approximate penetration is still only 10 per cent, we are becoming an increasingly important

competitor. Following a disappointing third quarter, farmer purchases of machinery generally strengthened and M-F sales in the United States achieved a record volume of $45 million in the final three months. Fourth quarter sales in the United States in 1960 were $36 million.

Sales and profits in Australia were below those of the fiscal year 1960 as a result of governmental measures imposed early in the year to curb credit and slow the accelerating pace of the Australian economy. Despite these measures, which had the effect of contracting the available Australian farm machinery market, improved penetration was achieved. The names "Massey-Ferguson" and "Sunshine" are well known and respected in Australia, and we enjoy a dominant position in that market.

In Brazil organization of a new company, Motores Perkins, S.A., was substantially completed during the year. Limited production of high speed diesel engines for tractors and trucks was commenced, and production at planned volume levels is expected to be reached shortly. Your Company holds all the issued voting shares, with Brazilian interests holding participating preferred shares. Initial losses of Motores Perkins, largely arising from pre-production and starting-up costs, have been fully consolidated in the accounts.

Your Company additionally is participating in the development of a tractor manufacturing industry in Brazil under governmental arrangements. It will be some time before our tractor manufacturing operations in Brazil reach substantial proportions, but the long-term potential indicated the desirability of entering that market as a manufacturer.

United Kingdom, Export, German and Perkins operations all established record sales in 1961; Italian and South African operations were satisfactory.

In the United Kingdom sales in the home market increased satisfactorily and, with a high level of demand from export operations, tractor production has been at capacity. In this mature, highly mechanized and sophisticated farm machinery market, industry annual sales of about $240 million approximately equal those in Canada.

Export Operations, centred in Coventry, England, and responsible for world-wide marketing of products from all sources in all areas outside of the domestic markets of operations units, achieved record sales.

Germany has proved one of our most rapidly developing markets and operations during the year were highly satisfactory. Farm income has risen over the past ten years from $3 billion to $5 billion, and industry farm machinery sales have gone from $250 million to about $550 million — some 35 per cent of the entire United States total industry sales and more than twice those in Canada. Although our market share in Germany is steadily growing, it is still only a modest percentage of the total due to the fact that we have not thus far been in a position to provide a broad enough range of equipment to participate fully. Nevertheless, our sales in Germany in 1962 are expected to be double those of 1960.

Operations in Italy were satisfactory. The name of the manufacturing company, acquired at the beginning of the 1961 fiscal year, was shortened during the year to Landini S.p.A. to add corporate emphasis to a family name long established in Italy. A new company, Massey-Ferguson Italiana S.p.A., was formed in March 1961 to market the Massey-Ferguson line.

A major reorganization of our South African interests was undertaken in the year under review. Previously, operations in the Republic of South Africa were confined largely to importation and resale of Massey-Ferguson products manufactured elsewhere, together with marketing certain products of South African Farm Implement Manufacturers Limited, a company in which we held, directly and indirectly, a substan-

tial interest. Agreements have been concluded and arrangements completed whereby a new company, Massey-Ferguson (South Africa) Limited, will become a wholly integrated manufacturing and marketing operation in which our Company will hold approximately 54 per cent of the common shares. We have been long established in South Africa and the new company will have by far the largest share of the farm machinery market there.

During the year arrangements were completed to participate in the manufacture of tractors in India. A company, Tractors and Farm Equipment Limited, Madras, was formed in which we will hold 49 per cent of the shares. Assembly of the MF 35 tractor has already begun and a new factory with production facilities will be ready for operation in a few months.

Operating results of the Perkins group were highly satisfactory. Our hopes with regard to the acquisition of Perkins in 1959 have been fully realized. In addition to supplying diesel engines in volume for Massey-Ferguson tractors and combines in all parts of the world, Perkins have now developed a large world-wide market of about $53 million in the agricultural and industrial fields. During the year, licensing and technical aid arrangements were concluded in Argentina and Spain, and engine manufacturing operations were commenced in Brazil as previously noted. In France, negotiations were completed for Perkins to acquire the remaining outstanding shares of an associated company, Moteurs Perkins, S.A., early in the 1962 fiscal year. Perkins operations in France will be conducted from the diesel engine plant at St. Denis near Paris, where significant expenditures on production facilities and tooling have been made by Massey-Ferguson during the past two years.

We continue to devote substantial effort and expenditure to new product development. Tractors and tractor accessories account for nearly one-half of world-wide net sales. Of particular importance are the MF 35 and MF 65 gasoline and diesel models. Those tractors, produced in Detroit, Coventry and Beauvais, are sold in all M-F markets throughout the world. They have earned an enviable reputation and, in many markets, consistently hold a leading position in the face of strong competition. In fiscal 1961, the new MF 25 tractor produced at Beauvais, France, was introduced in volume in the French and German home markets and in Scandinavian export territories. This tractor and its implements have received encouraging acceptance, pointing to a future of considerable volume.

Massey-Ferguson light industrial tractors and equipment are assuming increasing importance in the product line. A new shovel loader introduced in 1961, the MF 356, has successfully found its place in the North American market and is being introduced in markets abroad. In this connection, industrial equipment production previously centred in Wichita, Kansas, is being integrated into the tractor plant at Detroit.

An important agreement was concluded in the latter part of the fiscal year whereby we acquired world manufacturing and licensing rights to a revolutionary hay packing or wafering process in which hay and forage are tightly compressed into cubes of approximately two inches. The machine incorporating these inventions represents a major step forward in mechanizing the entire system of harvesting, packing, handling and storing cattle fodder.

In association with Butler Manufacturing Company, well-known U.S. manufacturer of grain storage and handling equipment, bulk feed bins and farm buildings, a company, Massey-Ferguson-Butler Limited, was formed, with headquarters in England, to manufacture and market the complete farm line of Butler products. As a complement to the Massey-Ferguson agricultural machinery business, this new association promises sales and income potential for the future.

Major collective agreements in the United States with expiry dates in September and October 1961

were re-negotiated during the latter months of the fiscal year. These new agreements covering employees at the tractor assembly factory, experimental shop and transmission and axle factory in Detroit and central parts warehouse in Racine are for a three-year period.

Negotiations of agreements covering manufacturing employees in Canada were in progress at the end of the fiscal year.

In the United Kingdom major union-management issues were successfully resolved during the year through the procedure agreement negotiated in 1960. In Germany the 1960 agreement applicable to the company as well as other employers in the "metal industry" was operative throughout the fiscal year.

In France, the more stable labour relations achieved in 1960 were continued in 1961 despite difficulties encountered in reducing the work force at Marquette and the integration of the St. Denis engine plant into the Perkins French operation. Stability in labour relations continued in the Australian operation in 1961. During the year there were no significant labour relations developments within the companies in Italy or South Africa.

We record with deep regret the death on December 15, 1961 of L. T. Ritchie, Vice President, and until recently, Managing Director of Massey-Ferguson (Australia) Limited. Mr. Ritchie, who had suffered ill-health since July, was on leave of absence. H. P. Weber, with a background of experience as general manager in Australian business, was appointed Managing Director Australian Operations on December first.

H. G. Klemm, a Director and Vice President Engineering, retired November first from active direction of world-wide engineering activities.

J. J. Jaeger, who joined the Company in March, has been appointed Vice President Engineering. Mr. Jaeger formerly held senior responsibilities in the United States both in the university and business fields.

J. G. Staiger, Vice President and Assistant to the President, has been appointed General Manager North American Operations. W. Lattman, Group Vice President, has been appointed Président-Directeur Général of the French Operations.

We welcome to our management group Dr. L. B. Knoll, General Manager of Massey-Ferguson (South Africa) Limited, previously Managing Director of South African Farm Implement Manufacturers Limited.

We wish to record the retirement of T. Carroll, Chief Combine Engineer, after more than 50 years of service with the Company. Mr. Carroll's contribution to mechanized farming through his development of the self-propelled combine has been recognized throughout the world.

We believe our activities over the past five years have considerably strengthened our world-wide operations in all phases. Barring major adverse economic factors and unfavourable weather the fiscal year of 1962 should be one of steady growth for your Company. There remains much room for improvement in earnings and the prospects appear, at this early stage, to be encouraging.

It is a pleasure to record our thanks to all employees world-wide for their contribution to carrying forward so effectively the policies and programs instituted during the past year.

On behalf of the Board

W. Eric Phillips

Chairman and Chief Executive Officer

Albert A. Thornbrough

President

Toronto, January 25, 1962

FINANCIAL REVIEW

The financial statements presented in this report cover the operations of the Company and all subsidiaries throughout the world with the exception of the two wholly owned finance companies in North America and Massey-Ferguson (South Africa) Limited.

A combined statement of assets and liabilities of Massey-Ferguson Finance Company of Canada Limited and Massey-Ferguson Finance Corporation is reported separately on page 19. Net income of the finance companies in 1961 has been included in the consolidated income statement on an accrual basis of accounting.

As explained in Note 1 on page 16, Massey-Ferguson (South Africa) Limited at October 31, 1961 was in process of acquiring the shares or assets of certain South African companies including Tractor and Farm Tools Limited and South African Farm Implement Manufacturers Limited. In this connection 45,500 common shares of Massey-Ferguson Limited have been or will be issued to former shareholders of Tractor and Farm Tools Limited as part of the purchase consideration. Upon completion of the reorganization, and installation of related uniform financial reporting methods planned to be completed in February 1962, the accounts of the new company will be brought into the world-wide consolidation.

During 1961, financing and shareholding arrangements were concluded in respect of Motores Perkins, S.A., Brazil, whereby the Company acquired all of the voting shares of that company, which was formed in 1959 to manufacture high speed diesel engines for trucks and tractors. Preferred shares, having in the aggregate a stated value equal to the Company's voting interest, were issued to Brazilian interests on terms which provide for cumulative preference as to dividends during the first six years, after cumulative losses have been offset by profits, and equal participation as to dividends thereafter. Provision for the full amount of initial losses has been made in the consolidated accounts presented in this report.

The operating assets of Massey-Ferguson (India) Limited were sold during the year to a new company formed to manufacture tractors in India. The Company will hold a 49 per cent interest in that company, Tractors and Farm Equipment Limited.

Sales

Consolidated sales were $519,314,961 in the 1961 fiscal year, an increase of 6 per cent over 1960 sales of $490,413,988. The net increase of $28,900,973 was achieved despite declines of $17,023,000 in the Canadian and United States domestic markets, $2,902,000 in Australia, and $5,924,000 in Yugoslavia (largely United Kingdom production).

Sales increases were achieved by the United Kingdom and Perkins operations units. In particular, sales in the United Kingdom domestic market were up $10,731,000 or 16 per cent from 1960 and in the Scandinavian countries, which are supplied to a substantial extent from the United Kingdom factories, sales increased $9,146,000 over last year.

In France, despite considerable marketing difficulties experienced throughout the year in reaction to the unsettled conditions of the agricultural economy, sales increased $6,302,000 in 1961. Increased availability of tractors from the new Beauvais factory, and the improved acceptability of a generally broadened product line were contributing factors to the sales increase.

Sales in the German domestic market were up $13,843,000 or nearly 70 per cent above the 1960 fiscal year. Vigorous marketing efforts in recent years, in an economy which has encouraged farm mechanization on a broad scale, has placed the German operations unit in a position of importance in a market noted for its competitiveness.

Sales in North America were $17,023,000 below those of the 1960 fiscal year, reflecting in part drought conditions experienced in the west.

In Australia, sales declined $2,902,000 or 9 per cent from last year primarily as a result of credit control measures introduced by the Government early in 1961.

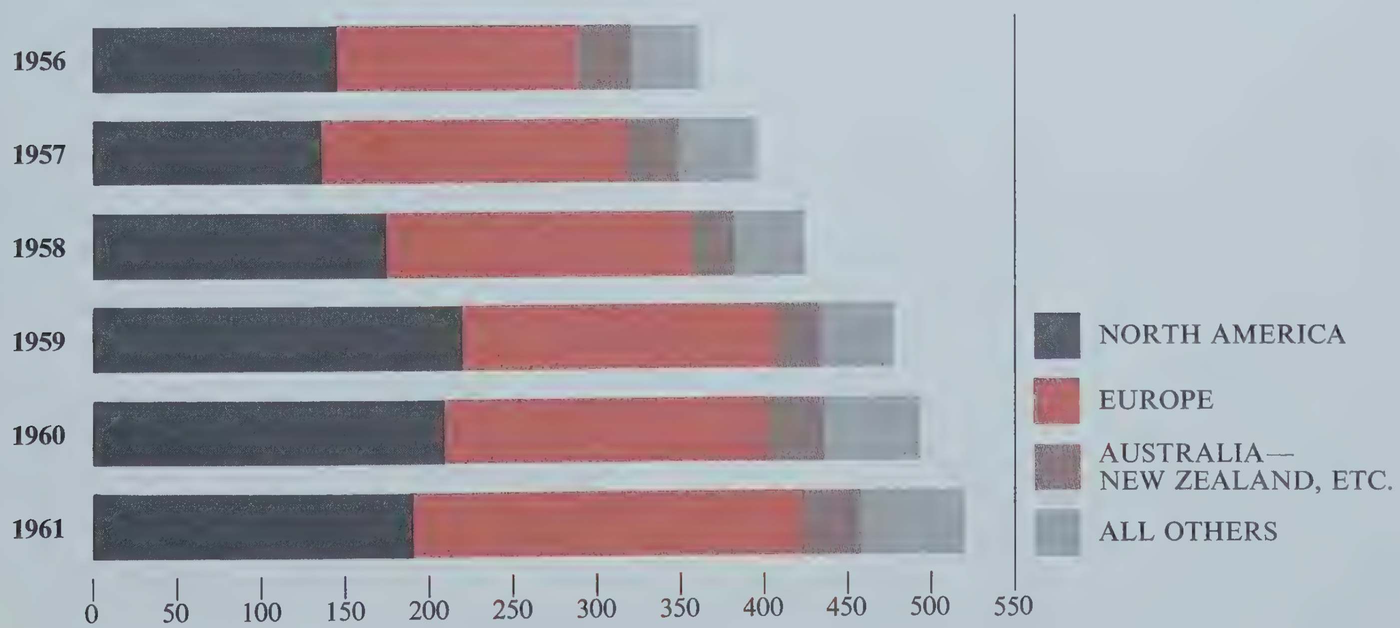
As expected, sales to Yugoslavia decreased $5,924,000 from 1960, reflecting the substantial completion of a large order for tractors and parts obtained by the United Kingdom operations unit in 1960.

Net sales by territories are shown on page 20.

The growing importance of European sales is graphically illustrated in the following chart:

NET SALES BY TERRITORIES

MILLIONS OF DOLLARS



Sales by products, reflecting the increasing significance of tractors and diesel engines in consolidated sales, are tabulated on page 21.

Profits

Consolidated net income of $15,246,921 was up 16 per cent from $13,153,944 in 1960. Despite the favourable profit impact of increased sales, income from interest and finance fees, profit on disposal of fixed assets, and exchange adjustments, consolidated net income was adversely affected by other factors, the most significant of which were losses experienced in France and Brazil.

Costs of materials and overhead in the French operations unit were abnormally high during the year as a result of special procurement and production measures undertaken to correct delays encountered in reaching the required production levels in the phasing-in programs of the Beauvais and St. Denis factories. In addition, price controls in effect in France coupled with the price sensitivity in what has been a difficult market prevented satisfactory margins on sales. Considerable progress has been made since the close of the 1961 fiscal year in overcoming the major factors which have resulted in unsatisfactory operations.

Initial operating losses were sustained by Motores Perkins, the new Perkins company diesel engine manufacturer in Brazil. Production of engines was only nominal in 1961, largely reflecting unavoidable delays in establishing lines of supply and market outlets in volume. Costs incident to pre-production were absorbed to a significant extent in the accounts of the current year. Additional expenditures will be necessary, but the company plans to be operating profitably in 1962.

In Canada, unit costs rose sharply as a result of lower volume of production. While profits in Canada and the United States remain below satisfactory levels in relation to both sales and investment, operating improvements carried forward during 1961 are expected to become effective in the coming months.

In the United Kingdom, favourable profit margins were again experienced by both the United Kingdom and Perkins operations units.

Despite generally higher costs and unfavourable margins in France and North America, the consolidated cost of goods sold at 79 per cent of sales was approximately the same as in the 1960 fiscal year.

Marketing, general and administrative expenses increased in the year, reflecting the expenditures necessary to sustain a markedly higher volume of business. The full benefit of these expenditures, in large part fixed costs of maintaining a complex world-wide marketing and administrative structure, has not been reflected in 1961 but will be felt in future years.

Engineering expenses of $13,097,008 were $1,404,620 over last year, reflecting continued emphasis on new product development.

Interest costs aggregating $15,071,516 were generally higher in the year, reflecting a combination of higher interest rates, increased financing of retail notes in North America and heavier seasonal working capital requirements. The higher cost was more than offset by increased income from finance fees in the North American finance companies.

Exchange adjustments of $4,762,895 were more favourable in 1961 as a result of the rise in value of foreign currencies in terms of the Canadian dollar. Unfavourable exchange adjustments absorbed since 1955 have now been largely offset.

Consolidated profit before taxes was $25,267,040, an increase of $5,473,180 or 28 per cent over last year. Income taxes were up $2,580,203 based on normal taxes on taxable income, but tax credits of $3,100,000 were less favourable by $800,000, resulting in a net increase of $3,380,203 in income taxes.

Working Capital

Working capital at $171,424,085 decreased $4,148,105 after increasing the investment in the North American finance companies by $10,303,000.

Trade notes and accounts receivable of $174,319,125 (excluding the finance companies) were up $21,094,637. Approximately 14 per cent of the total mature beyond one year.

Inventories were $178,205,772 at October 31, 1961, the increase of $6,281,097 being almost entirely due to the acquisition of Landini and Motores Perkins inventories. Finished goods inventories were down $6,009,838 from last year, reflecting the continuation of efforts to maintain inventories at sound levels in relation to marketing requirements.

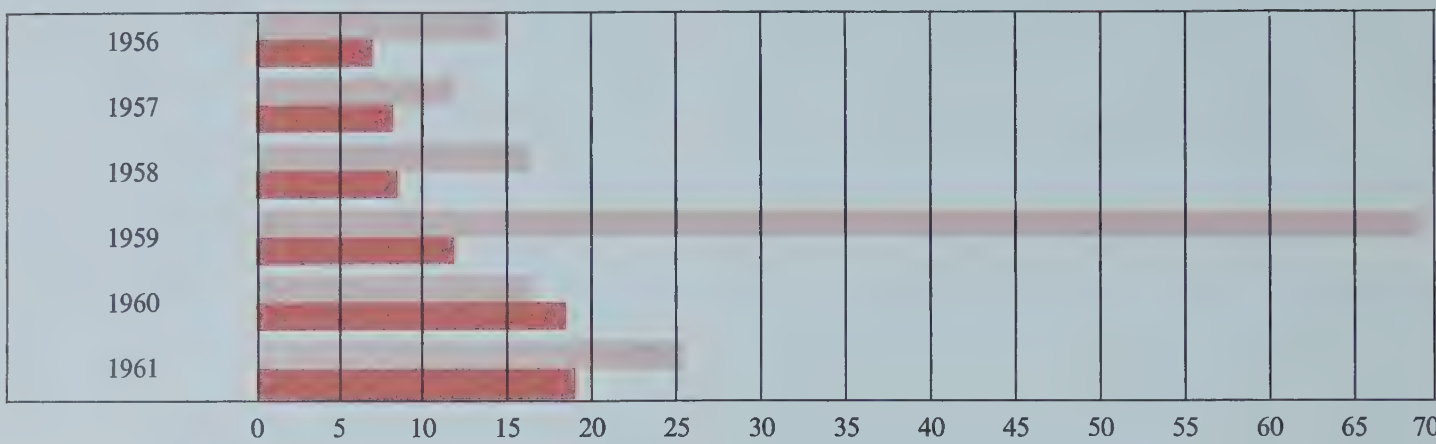
Short term borrowings from banks and others at October 31, 1961 were $80,067,154, exclusive of short term borrowings of the finance companies aggregating $49,500,000. The increase in borrowings is indicative of the manufacturer's problem of financing sales of farm machinery from the time of purchasing raw materials to the point of ultimate cash return many months after the machinery has begun to produce farm income.

The following table illustrates the source and utilization of funds in recent years:

SOURCE AND USE OF FUNDS *(THOUSANDS OF DOLLARS)*

SOURCE OF FUNDS	1961	1960	1959	1958	1957	1956
Net income (loss) for the year	$15,247	$13,154	$ 21,018	$13,025	$ (4,737)	$ 3,159
Depreciation, and amortization of production tooling	19,130	18,761	12,131	8,585	8,367	7,096
Increase in long term debt and preferred shares of subsidiaries	6,131	1,503	30,948	153	2,175	27,299
Issue of preferred shares, less expenses of issue			24,082			
Common shares issued	916	147	1,287	145		
Reduction in investment in subsidiary and associated companies	456		8,998			
Net book value of fixed asset disposals	1,818	3,182	1,751	3,122	1,171	948
Increase in deferred income taxes	1,654	4,283	853			
Other			19	7		
TOTAL	$45,352	$41,030	$101,087	$25,037	$ 6,976	$38,502
USE OF FUNDS						
Additions to fixed assets, including assets of acquired companies	$25,657	$16,933	$ 68,906	$16,301	$12,228	$14,720
Payment of common share dividends	4,860	4,836	4,654	3,818	3,808	4,759
Payment of preferred share dividends	1,418	1,419	1,091	1,094	1,101	1,110
Reduction in long term debt and preferred shares of subsidiaries	4,500	4,837	5,093	4,316	2,769	1,046
Increase in investment in associated companies		2,125		2,419	358	5,618
Increase in investment in North American finance companies	10,303	9,512				
Transfer from deferred income on sales to dealers						1,433
Other	2,762	645			570	305
TOTAL	$49,500	$40,307	$ 79,744	$27,948	$20,834	$28,991
Increase (decrease) in working capital	(4,148)	723	21,343	(2,911)	(13,858)	9,511
TOTAL	$45,352	$41,030	$101,087	$25,037	$ 6,976	$38,502

ADDITIONS TO FIXED ASSETS
DEPRECIATION AND AMORTIZATION OF PRODUCTION TOOLING
(MILLIONS OF DOLLARS)



Capital Expenditure

Expenditures on fixed assets and capitalized production tooling totalled $25,656,817 in 1961, including acquisitions at net book values of fixed assets of Landini S.p.A. in Italy. Expenditures were substantially in Brazil, France, North America, and the United Kingdom, the latter largely in respect of improved facilities and tooling at Kilmarnock and Peterborough.

Capital expenditure for the 1962 fiscal year is planned at about $20 million, equal approximately to the 1962 level of depreciation, and amortization of production tooling.

It is the Company's policy to absorb engineering costs in the year of expenditure and to amortize the cost of major production tooling over the first three years of production. As to depreciation, accounting and taxation practices are not uniform throughout the world. Accordingly it is generally the practice of the Company to absorb against income each year the maximum amount appropriate to each locale.

Shareholder Equity

Total shareholder equity of $210,805,817 at October 31, 1961 by location of companies is tabulated below:

SHAREHOLDER EQUITY BY LOCATION OF COMPANIES *(THOUSANDS OF DOLLARS)*

	1961	1960	1959	1958	1957	1956
NORTH AMERICA	$113,745	$113,297	$108,112	$ 97,625	$ 83,600	$ 98,291
EUROPE	77,355	72,089	73,007	42,035	46,178	40,277
AUSTRALIA	13,219	11,019	9,612	9,785	9,072	9,466
SOUTH AFRICA	3,624	1,772	2,491	2,807	4,923	5,391
LATIN AMERICA	2,716	2,581	436	753	1,069	1,327
INDIA	147	169	242	254	159	53
TOTAL	$210,806	$200,927	$193,900	$153,259	$145,001	$154,805

Massey-Ferguson Limited

STATEMENT OF CONSOLIDATED INCOME

Year ended October 31, 1961 (with comparative figures for 1960)

	1961	1960
Net sales	$519,314,961	$490,413,988
Add:		
Interest and finance charges earned, etc.	7,773,666	4,308,643
Profit or (loss) on disposal of capital assets	1,440,083	(583,123)
	$528,528,710	$494,139,508
Deduct:		
Cost of goods sold	$411,088,987	$390,547,157
Marketing, general and administrative expenses	68,528,666	61,251,089
Engineering expenses	13,097,008	11,692,388
Interest on long term debt	5,125,133	4,839,198
Minority interest (dividends on preferred shares of subsidiaries)	238,388	231,028
Interest on bank and other short term debt	9,946,383	8,799,018
Exchange adjustments	(4,762,895)	(3,014,230)
	$503,261,670	$474,345,648
Profit before income taxes	$ 25,267,040	$ 19,793,860
Income taxes	13,120,119	10,539,916
Tax credits (Note 3)	(3,100,000)	(3,900,000)
Net income for the year	$ 15,246,921	$ 13,153,944

SUPPLEMENTARY INFORMATION

An amount of $671,190 shown separately in the 1960 accounts as "special provision for abandoned production equipment $1,348,042, less applicable taxes" has been reclassified in the 1960 comparative figures shown this year. The amount of $1,348,042 has been included with "loss on disposal of capital assets" and the related tax reduction has been reflected in "income taxes."

The following amounts were paid during the year ended October 31, 1961 to the directors, executive officers and solicitors of the Parent Company: Fees to directors not holding salaried employment $32,687; remuneration to executive officers including directors holding salaried employment, and to the Company's solicitors $998,033.

Depreciation, and amortization of production tooling included above amounted to $19,130,421 in 1961 and $18,761,090 in 1960.

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

Year ended October 31, 1961 (with comparative figures for 1960)

	1961	1960
Balance at beginning of year	$116,186,510	$109,287,629
Add net income for the year	15,246,921	13,153,944
	$131,433,431	$122,441,573
Deduct:		
Dividends on preferred shares	$ 1,418,313	$ 1,418,986
Dividends on common shares (40¢ per share)	4,860,450	4,836,077
	$ 6,278,763	$ 6,255,063
Balance at end of year	$125,154,668	$116,186,510

(See accompanying notes to financial statements)

Massey-Fer

CONSOLIDATE

October 31, 1961 (with compa

ASSETS

	1961	1960
CURRENT:		
Cash	$ 6,684,456	$ 3,916,216
Receivables (less allowances and unearned interest — Note 2)		
Retail notes and accounts	3,643,792	10,750,450
Wholesale notes and accounts	145,109,215	129,005,420
Other trade and sundry accounts	25,566,118	13,468,618
	$174,319,125	$153,224,488
Inventories, valued at the lower of cost or market		
Raw materials and work in process	76,190,635	63,899,700
Finished goods	102,015,137	108,024,975
	$178,205,772	$171,924,675
Prepaid expenses, etc.	3,909,577	1,468,399
TOTAL CURRENT ASSETS	$363,118,930	$330,533,778
INVESTMENTS (Shares and advances):		
Wholly owned finance companies, at cost less provision for losses (Note 1)	$ 19,815,486	$ 9,512,142
Subsidiary company not consolidated, at cost (Note 1)	2,650,559	
Associated companies, at cost	490,938	3,597,473
	$ 22,956,983	$ 13,109,615
FIXED:		
Land	$ 5,165,894	$ 4,433,468
Buildings	59,186,826	56,921,488
Machinery and equipment	129,660,149	117,127,587
Production tooling	11,574,166	13,776,282
Total fixed assets, at cost	$205,587,035	$192,258,825
Less accumulated depreciation and amortization	88,717,303	80,096,811
	$116,869,732	$112,162,014
OTHER ASSETS AND DEFERRED CHARGES	$ 4,984,376	$ 2,227,685
	$507,930,021	$458,033,092

On behalf of the Board:

W. Eric Phillips, Director

Albert A. Thornbrough, Director

(See accompanying not

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BALANCE SHEET

ve figures at October 31, 1960)

LIABILITIES

	1961	1960
CURRENT:		
Bank loans and overdrafts	$ 57,567,154	$ 55,339,277
Short term notes payable	22,500,000	
Accounts payable and accrued charges	93,075,266	83,832,328
Income, sales and other taxes payable	10,419,303	11,691,558
Dividends payable	1,574,751	1,564,480
Advance payments from customers	6,558,371	2,533,945
TOTAL CURRENT LIABILITIES	$191,694,845	$154,961,588
DEFERRED INCOME TAXES (Note 3)	$ 6,789,756	$ 5,135,837
LONG TERM DEBT:		
Bonds, debentures, notes and loans (Note 7)	$ 95,835,142	$ 98,424,992
Less instalments maturing within one year, included with accounts payable and accrued charges	4,246,087	4,775,887
	$ 91,589,055	$ 93,649,105
MINORITY INTEREST IN SUBSIDIARIES	$ 7,050,548	$ 3,359,945
CAPITAL AND RETAINED EARNINGS:		
Authorized share capital — 500,000 preferred shares, par value $100 each; 20,000,000 common shares without nominal or par value		
Outstanding (Note 4) —		
Cumulative convertible preferred shares		
4½% redeemable at $104.50 (1961 — 9,610 shares; 1960 — 9,665 shares)	$ 961,000	$ 966,500
5½% 1959 series — redeemable at $105.50 (250,000 shares)	25,000,000	25,000,000
Common shares (1961 — 12,200,868 shares; 1960 — 12,098,471 shares)	57,904,176	56,987,634
Contributed surplus	1,785,973	1,785,973
Retained earnings (Note 5)	125,154,668	116,186,510
	$210,805,817	$200,926,617
	$507,930,021	$458,033,092

financial statements)

YEAR ENDED OCTOBER 31, 1961

1. BASIS OF CONSOLIDATION AND EXCHANGE TRANSLATION

The accompanying financial statements consolidate the accounts of all subsidiary companies with the exception of (a) the two wholly owned finance companies in North America (a combined statement of assets and liabilities of which appears on page 19) and (b) Massey-Ferguson (South Africa) Limited (a newly formed company approximately 54% owned) which acquired the operating assets of Massey-Ferguson (S.A.) (Pty.) Limited during the year and was in process of acquiring shares or assets of certain other South African companies at October 31, 1961. The interest in Massey-Ferguson (South Africa) Limited is carried in the balance sheet as an investment pending completion of such acquisitions and related financial reorganization; the carrying value of the investment is less than the indicated underlying equity at October 31, 1961.

The earnings of the two North American finance companies (calculated this year on an accrual basis of accounting) have been taken up in the accompanying statement of consolidated income. Last year the earnings of these companies for their initial period of operations (September and October 1960) were calculated on a cash basis of accounting; a credit of approximately $300,000 arising from the recalculation of last year's results on an accrual basis is included in the current year's income. The earnings of Massey-Ferguson (South Africa) Limited to October 31, 1961 are not reflected in the statement of consolidated income.

The assets, liabilities, income and expenses of United States companies are included in the consolidated statements on the basis of U.S. $1 = Can. $1. In the case of all other companies, translation into Canadian dollars has been effected as follows: current assets and current liabilities at exchange rates prevailing at October 31; investments, fixed assets, long term liabilities and depreciation provisions on the basis of rates prevailing at date of acquisition or issue; income and expenses (other than depreciation provisions) at average exchange rates in effect during the period.

2. RECEIVABLES

Approximately $26,000,000 or 14% of the 1961 notes and accounts receivable mature beyond one year. Receivables are shown net of the following provisions —

	1961			1960
	For returns and allowances	For unearned interest	Total	Total
Retail notes and accounts	$ 248,233	$ 226,935	$ 475,168	$ 578,965
Wholesale notes and accounts	12,289,902	750,932	13,040,834	10,972,458
Other trade and sundry accounts	281,491	186,473	467,964	424,675
	$12,819,626	$1,164,340	$13,983,966	$11,976,098

3. INCOME TAXES

For income tax purposes certain of the companies claim capital allowances in excess of the depreciation provisions recorded in the accounts. The tax reductions applicable to these extra allowances are not reflected in income, but are credited instead to a "Deferred Income Taxes" account (shown separately in the balance sheet) to be brought into income in future years when the total allowances available for tax purposes are less than the depreciation provisions recorded in the accounts.

The tax credits shown in the statement of consolidated income represent the amount of tax reductions reflected in the accounts by reason of the carry-forward of prior years' losses, provisions, and write-offs and include, in 1961, the reversal of certain prior years' tax provisions no longer required. As of October 31, 1961, certain companies have further loss balances available for carry-forward as well as a number of provisions or write-off balances not yet claimed or taken into account for tax purposes.

4. SHARE CAPITAL CHANGES, STOCK OPTIONS AND RESERVATION OF SHARES

During the year 57,258 common shares were issued for cash under employee options (44,758 at $6.50 per share, 7,500 at $8.25 per share and 5,000 at $8.55 per share), 44,779 common shares were issued at a value of $516,490 as part of an exchange offer for the shares of Tractor and Farm Tools Limited (one of the South African companies being acquired by Massey-Ferguson (South Africa) Limited) and 360 common shares were issued on conversion of 45 4½% preferred shares. Ten 4½% preferred shares were purchased for redemption.

Employee options were outstanding at October 31, 1961 with respect to 29,812 common shares (12,312 at $6.50 per share, 5,000 at $8.25 per share, and 12,500 at $10.02 per share) exercisable at any time up to May 29, 1962. An additional 721 common shares remain to be issued under the exchange offer with the South African company referred to above and 1,576,880 unissued common shares are reserved for possible issuance upon conversion of cumulative convertible preferred shares.

5. DIVIDEND RESTRICTIONS

The trust indentures relating to the long term debt of the Canadian company and the trust indentures and loan agreements of certain of the subsidiary companies contain certain restrictions on the payment of dividends. Under the most restrictive of these approximately $50,000,000 of consolidated retained earnings at October 31, 1961 is not available for the payment of dividends on common shares. Of the remainder, approximately $43,000,000 represents the unrestricted portion of profits of various subsidiary companies outside North America which have not been remitted to Canada. Transfers of earnings from such companies are generally subject to the approval of exchange control authorities, but permission to pay dividends is normally obtainable.

Dividend payments from subsidiaries in a number of countries are subject to withholding taxes. As the amount of earnings which will be transferred in the future and the rates which will be applicable at that time are not known, such taxes are reflected in consolidated earnings only at the time of actual dividend remittance.

Of consolidated retained earnings, an amount of $46,890 is designated as a "capital surplus" under the provisions of Section 61 of the Companies Act (Canada).

6. CONTINGENT LIABILITIES, COMMITMENTS, ETC.

(a) Contingent liabilities in respect of bills under discount amount to approximately $36,000,000.

(b) Pension costs (including payments to trustees on behalf of employees covered by trusteed pension plans) are charged against income in the year of payment. In the case of most of the trusteed plans, past service costs are being funded over periods not exceeding 30 years; the total unfunded liability for all trusteed plans in effect at October 31, 1961 is estimated at approximately $21,000,000.

(c) The Canadian and United States companies have been named defendants in actions brought by third parties charging violation of United States anti-trust laws and claiming triple damages aggregating approximately $2,800,000. In the opinion of United States counsel for the companies, the claims asserted by the plaintiffs are without substantial merit.

7. LONG TERM DEBT

	October 31, 1961	October 31, 1960
Massey-Ferguson Limited (Canada):		
First mortgage sinking fund 3% bonds Series "A" maturing 1966	$ 5,917,000	$ 6,402,000
3¾%-5% Sinking fund debentures maturing 1967-76	30,955,000	33,500,000
Massey-Ferguson Inc. (U.S.A.):		
3⅝%-4⅛% Promissory notes maturing 1961-73	11,800,000	12,600,000
Massey-Ferguson Holdings Limited (United Kingdom):		
8% Bank loan due 1963 (interest charged at 1½% above Bank of England rediscount rate with the provision that the minimum interest rate shall not be less than 5½%)	26,530,000	26,530,000
Massey-Ferguson (United Kingdom) Limited:		
3½%-5% Guaranteed debenture stock maturing 1972 (subject to sinking fund)	1,619,853	1,679,809
F. Perkins Limited (United Kingdom):		
4½% First mortgage debenture stock maturing 1971 (subject to sinking fund)	3,155,151	3,292,584
Massey-Ferguson S.A. (France):		
6%-7% Loans maturing 1961-75	8,970,100	7,348,895
Massey-Ferguson G.m.b.H. (Germany):		
2½%-5% Loans maturing 1961-74	1,338,413	1,522,079
Massey-Ferguson (Australia) Limited:		
5¾% First mortgage debenture stock maturing 1970	5,549,625	5,549,625
	$95,835,142	$98,424,992

Clarkson, Gordon & Co.

Chartered Accountants

Toronto, 1
CANADA

To the Shareholders of
Massey-Ferguson Limited:

We have examined the consolidated balance sheet of Massey-Ferguson Limited and its consolidated subsidiaries as at October 31, 1961, and the statements of consolidated income and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us, and as shown by the books of the companies, the accompanying consolidated balance sheet and statements of consolidated income and retained earnings are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at October 31, 1961 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied, in all material respects, on a basis consistent with that of the preceding year.

We also report that, in our opinion, the information required under Section 118 of the Companies Act (Canada) is correctly stated in Note 1 to the financial statements.

Clarkson, Gordon & Co

Toronto, Canada.
December 22, 1961.

Chartered Accountants.

MASSEY-FERGUSON FINANCE COMPANY OF CANADA LIMITED
and
MASSEY-FERGUSON FINANCE CORPORATION

COMBINED STATEMENT OF ASSETS AND LIABILITIES

October 31, 1961 (with comparative figures at October 31, 1960)

ASSETS	1961	1960
Cash	$ 1,999,769	$ 864,880
Retail notes receivable (less allowances and unearned interest — Note 3)	67,784,352	40,284,450
Discount on notes payable	156,278	212,812
	$69,940,399	$41,362,142
LIABILITIES		
Short term notes payable—Banks	$47,000,000	$31,850,000
Others	2,500,000	
Accrued charges	489,913	
Deferred income taxes	135,000	
Current accounts payable to Massey-Ferguson Limited and Massey-Ferguson Inc.	7,990,796	52,449
	$58,115,709	$31,902,449
Equity of Massey-Ferguson Limited and its subsidiaries:		
Interest bearing notes payable	$ 1,000,000	$ 3,000,000
Share capital	11,001,100	7,001,100
	$12,001,100	$10,001,100
Deduct accumulated losses (Note 2)	176,410	541,407
	$11,824,690	$ 9,459,693
	$69,940,399	$41,362,142

NOTES:

1. The above statement combines the accounts of Massey-Ferguson Finance Company of Canada Limited and Massey-Ferguson Finance Corporation (U.S.A.). The assets and liabilities of the United States company are included on the basis of U.S. $1. = Can. $1.

2. While the books of both companies are maintained, and their tax returns are filed, on a cash receipt and disbursement method, the combined statement of assets and liabilities at October 31, 1961 incorporates adjustments to reflect the financial position of the companies on an accrual basis of accounting (including a provision for deferred income taxes). The statement of assets and liabilities at October 31, 1960 (as reflected in the comparative figures shown above) was drawn up on the cash basis of accounting with no such adjustment. A credit of approximately $300,000 arising from the recalculation of 1960 results on an accrual basis has been taken up in 1961 income.

3. Approximately $33,000,000 or 43% of the notes receivable mature beyond one year. Receivables are shown net of the following provisions —

	1961	1960
Unearned interest	$7,224,846	$5,361,525
Allowance for doubtful accounts	1,650,000	468,000
	$8,874,846	$5,829,525

AUDITORS' REPORT

To the Shareholders of
Massey-Ferguson Limited:

We have examined the combined statement of assets and liabilities of Massey-Ferguson Finance Company of Canada Limited and Massey-Ferguson Finance Corporation as at October 31, 1961. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying statement presents fairly the combined assets and liabilities of Massey-Ferguson Finance Company of Canada Limited and Massey-Ferguson Finance Corporation as at October 31, 1961 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in accounting practice referred to in Note 2, which change we approve.

Clarkson, Gordon & Co

Chartered Accountants.

Toronto, Canada,
December 22, 1961.

NET SALES BY TERRITORIES *(THOUSANDS OF DOLLARS)*

TERRITORIES	1961		1960		1959		1958		1957		1956	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
NORTH AMERICA												
Canada	$ 52,537	10.1%	$ 61,821	12.6%	$ 55,605	11.7%	$ 40,320	9.6%	$ 41,514	10.6%	$ 44,998	12.7%
United States	136,672	26.3	144,411	29.4	162,046	34.1	130,301	31.0	89,460	22.9	97,952	27.5
Total	$189,209	36.4%	$206,232	42.0%	$217,651	45.8%	$170,621	40.6%	$130,974	33.5%	$142,950	40.2%
EUROPE												
United Kingdom	$ 76,275	14.6%	$ 65,544	13.4%	$ 69,305	14.6%	$ 56,461	13.4%	$ 49,765	12.7%	$ 38,517	10.9%
France	62,330	12.0	56,028	11.4	63,661	13.3	79,052	18.8	87,674	22.4	68,690	19.3
Germany	34,152	6.6	20,309	4.1	15,062	3.2	10,142	2.4	9,606	2.5	7,026	2.0
Scandinavia	31,672	6.1	22,526	4.6	18,490	3.9	15,960	3.8	18,504	4.7	16,396	4.6
Italy	7,642	1.5	3,298	.7	1,884	.4	2,234	.5	2,801	.8	1,934	.5
Yugoslavia	5,140	1.0	11,064	2.3	8,348	1.8	6,667	1.6	5,805	1.5	3,328	1.0
Austria	4,619	.9	3,630	.7	2,103	.4	3,570	.9	2,626	.7	1,100	.3
Other European Countries	12,420	2.4	8,654	1.8	7,985	1.7	7,209	1.7	6,649	1.7	5,776	1.6
Total	$234,250	45.1%	$191,053	39.0%	$186,838	39.3%	$181,295	43.1%	$183,430	47.0%	$142,767	40.2%
AUSTRALIA, NEW ZEALAND, etc.												
Australia	$ 31,042	6.0%	$ 33,944	6.9%	$ 27,591	5.8%	$ 25,636	6.1%	$ 25,799	6.6%	$ 27,425	7.7%
New Zealand	3,229	.6	3,624	.7	1,776	.4	1,901	.5	6,939	1.8	2,650	.7
South Pacific	420	.1	371	.1	473	.1	302	.1	276	.1	206	.1
Total	$ 34,691	6.7%	$ 37,939	7.7%	$ 29,840	6.3%	$ 27,839	6.7%	$ 33,014	8.5%	$ 30,281	8.5%
ASIA												
India	$ 5,430	1.1%	$ 8,138	1.7%	$ 3,291	.7%	$ 3,084	.7%	$ 3,534	.9%	$ 3,082	.9%
Other Asian Countries	16,750	3.2	10,744	2.2	11,307	2.3	7,931	1.9	5,643	1.4	6,026	1.7
Total	$ 22,180	4.3%	$ 18,882	3.9%	$ 14,598	3.0%	$ 11,015	2.6%	$ 9,177	2.3%	$ 9,108	2.6%
AFRICA												
Republic of South Africa	$ 11,822	2.3%	$ 10,457	2.1%	$ 7,075	1.5%	$ 10,417	2.5%	$ 14,638	3.7%	$ 11,044	3.1%
Algeria	2,257	.4	4,849	1.0	4,318	.9	3,765	.9	2,635	.7	2,097	.6
Other African Countries	6,202	1.2	8,065	1.7	7,044	1.5	5,803	1.4	7,043	1.8	5,901	1.7
Total	$ 20,281	3.9%	$ 23,371	4.8%	$ 18,437	3.9%	$ 19,985	4.8%	$ 24,316	6.2%	$ 19,042	5.4%
LATIN AMERICA												
Brazil	$ 5,827	1.1%	$ 2,083	.4%	$ 164	—	$ 2,418	.6%	$ 1,620	.4%	$ 2,261	.6%
Other Latin American Countries	12,877	2.5	10,854	2.2	8,016	1.7	7,036	1.6	8,226	2.1	8,715	2.5
Total	$ 18,704	3.6%	$ 12,937	2.6%	$ 8,180	1.7%	$ 9,454	2.2%	$ 9,846	2.5%	$ 10,976	3.1%
TOTAL	$519,315	100.0%	$490,414	100.0%	$475,544	100.0%	$420,209	100.0%	$390,757	100.0%	$355,124	100.0%

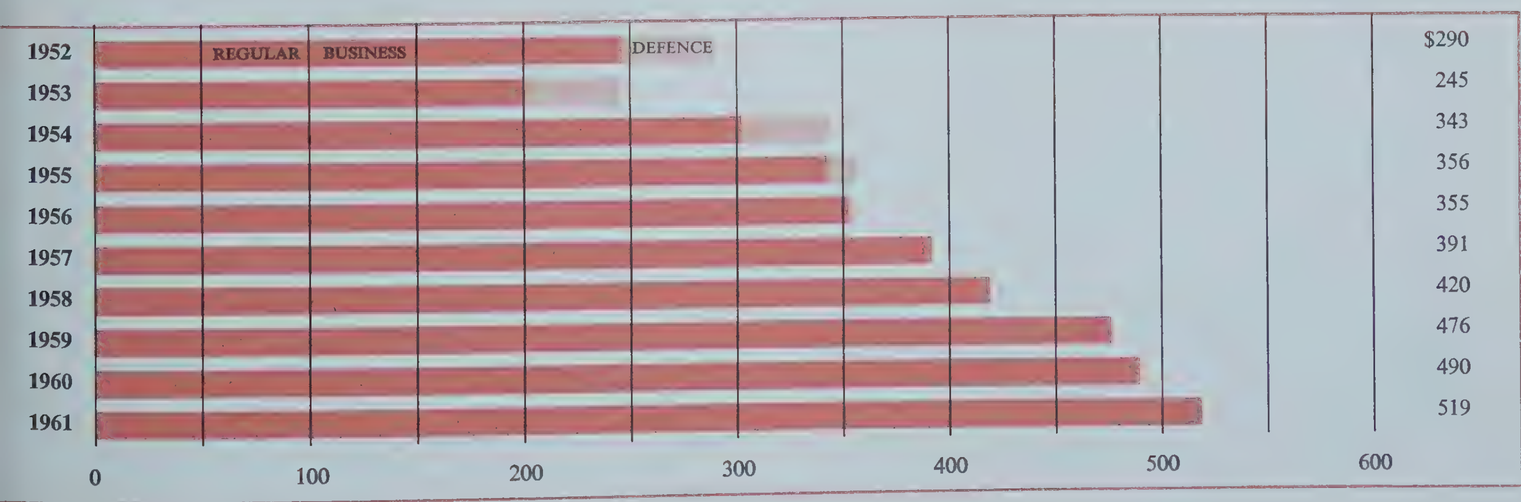
NET SALES BY QUARTERS (THOUSANDS OF DOLLARS)

MONTHS ENDED	1961		1960		1959		1958		1957		1956	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
ANUARY 31	$ 86,770	16.7%	$ 87,889	17.9%	$ 82,505	17.3%	$ 74,500	17.7%	$ 64,973	16.6%	$ 60,815	17.1%
PRIL 30	141,788	27.3	133,078	27.1	142,765	30.0	124,065	29.6	110,372	28.2	99,271	28.0
ULY 31	133,668	25.7	131,254	26.8	137,693	29.0	119,307	28.4	125,621	32.2	107,149	30.2
CTOBER 31	157,089	30.3	138,193	28.2	112,581	23.7	102,337	24.3	89,791	23.0	87,889	24.7
TOTAL	$519,315	100.0%	$490,414	100.0%	$475,544	100.0%	$420,209	100.0%	$390,757	100.0%	$355,124	100.0%

NET SALES BY PRODUCTS (THOUSANDS OF DOLLARS)

PRODUCTS	1961		1960		1959		1958		1957		1956	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
RACTORS	$243,105	46.8%	$221,428	45.2%	$215,291	45.3%	$193,019	45.9%	$188,449	48.2%	$157,715	44.4%
RAIN HARVESTING EQUIPMENT	84,436	16.3	86,422	17.6	100,513	21.1	96,367	22.9	88,304	22.6	80,174	22.6
AY HARVESTING EQUIPMENT	25,995	5.0	28,732	5.9	29,545	6.2	27,144	6.5	16,303	4.2	15,516	4.4
THER PRODUCTS	58,099	11.2	57,446	11.7	56,690	11.9	58,701	14.0	55,812	14.3	61,892	17.4
ARTS	55,247	10.6	48,742	9.9	48,921	10.3	44,978	10.7	41,889	10.7	39,827	11.2
IESEL ENGINES	52,433	10.1	47,644	9.7	24,584	5.2						
TOTAL	$519,315	100.0%	$490,414	100.0%	$475,544	100.0%	$420,209	100.0%	$390,757	100.0%	$355,124	100.0%

WORLD-WIDE NET SALES (MILLIONS OF DOLLARS)



PRODUCTS MANUFACTURED BY MASSEY-FERGUSON

CANADA

TORONTO, (1,904,028 sq. ft.)—MF 35 and MF 72 self-propelled and pull-type Combines; MF 82 and MF Super 92 self-propelled Combines; Hay Balers; Pull-type Swathers; Corn Pickers; Pick-ups; Grain Boxes.

BRANTFORD, VERITY PLANT, (511,754 sq. ft.) — Mouldboard and Disc Plows; Chisel Plows; Disc Harrows; Subsoilers; Wide Level Disc Harrows; Mowers; Side Delivery Rakes.

BRANTFORD "M" FOUNDRY, (185,229 sq. ft.) — Castings for Massey-Ferguson plants.

WOODSTOCK, (304,800 sq. ft.)—Corn Head (converts Grain Combines into Corn Combines); Cultivators; Harrows; Rotary Hoes; Drills; Planters; Snow Blades; Mounted Tillers; Bedders; Listers.

WATERLOO, (272,600 sq. ft.)—Full line of Modern Steel Office Furniture; Metal Partitions and Storage Equipment including Steel Shelving and Lockers; Kitchen Equipment; Steel Garage Doors.

UNITED STATES

DETROIT, SOUTHFIELD ROAD, (518,427 sq. ft.)—Agricultural Tractors, including MF 35, MF 50, MF 65, MF 85, MF 88 and MF 90 Models; Industrial Tractors including MF 202, MF 203, MF 204, MF 205 and MF 65 Utility Models; Self-propelled light industrial vehicles such as Tractor Shovel Loaders and Fork Lifts. Attachments for agricultural and light industrial tractors such as Backhoes, Front End Loaders, Multi-purpose Blades, Scarifier-Scrapers and Post Hole Diggers.

DETROIT, KERCHEVAL AVENUE, (185,967 sq. ft.)—Transmissions and axles for North American Tractor Assembly Plant and components for other plants.

FOWLER, (68,572 sq. ft.)—Cultivators; Disc Harrows; Spring Tooth Harrows; Tool Carriers.

UNITED KINGDOM

KILMARNOCK, (746,322 sq. ft.)—MF 735 and MF 780 Self-propelled Combines; Hay Balers; Trailers; Buck Rakes; Front End Loaders; Flexible Harrows.

MANCHESTER, BARTON DOCK ROAD, (519,366 sq. ft.)—Mowers; Drills; Potato Harvesters; Fertilizer Distributors; Fertilizer Spinner Broadcasters; Manure Spreaders; Spring Tooth Harrows; Multi-purpose Blades; Transporters; Transport Boxes; Industrial MF 702 Power Shovel and MF 710 Digger.

COVENTRY, BANNER LANE, (1,088,063 sq. ft.)—MF 35 and MF 65 Agricultural Tractors; MF 65 Semi-industrial Tractor; MF 702, MF 203 and MF 205 Industrial Tractors.

PETERBOROUGH, EASTFIELD, (779,040 sq. ft.)—High speed diesel engines for marine, automotive, agricultural and industrial purposes; Industrial Gas-turbines.

PETERBOROUGH, QUEEN ST., (120,510 sq. ft.)—Engine reconditioning.

PETERBOROUGH, WALTON, (169,500 sq. ft.)—Outboard Motors.

FRANCE

MARQUETTE-LEZ-LILLE, (1,002,078 sq. ft.)—MF 830 and MF 892 Self-propelled Combines; Combine Presses; Pick-up Presses; Mowers; Rakes; One-Way Discs; Fertilizer Distributors; Cultivators; Castings for other Operations Units.

PARIS (St. Denis), (152,500 sq. ft.)—Diesel Engines.

BEAUVAIS, (360,000 sq. ft.)—MF 825, MF 835 and MF 865 Agricultural Tractors; MF 802 Industrial Tractor.

GERMANY

ESCHWEGE, (538,200 sq. ft.)—MF 630 and MF 685 Self-propelled Combines; Combine Presses; Harrows; Tillers; Fertilizer Spinner Broadcasters. Also roller-chain for domestic and export markets.

ITALY

FABBRICO, (380,000 sq. ft.)—R 50, R 4000 Agricultural Tractors; C 35 Crawler-type Agricultural and Industrial Tractors.

COMO, (115,000 sq. ft.)—Diesel Engines; Tractor components.

AUSTRALIA

MELBOURNE (Sunshine), (1,472,963 sq. ft.)—Headers (self-propelled and pull-type Combines); Sugar Cane Harvesters; Mowers; Drills; Balers; Hay Rakes; Heavy Duty Tillers; Cultivators; Harrows; Bale Loaders; Disc Plows; Sod Seeders; Spinner Broadcasters; Post Hole Diggers; Jib Cranes; Bulk Trailer Bins; Toolbar Planters; Earth Scoops; Multi-purpose Blades; Cordwood Saws; Scarifiers; Sub-Soilers; Transporters.

DANDENONG, (12,000 sq. ft.)—Engine Reconditioning; Assembly Industrial Diesel Engines.

AFRICA

VEREENIGING, (363,500 sq. ft.)—Plows; Harrows; Cultivators; Tillers; Disc Terracers; Rotary Hoes; Maize, Cotton and Peanut Planters; Buck Rakes; Ridgers; Bean Lifters; Toolbars; Earth Scoops; Subsoilers; Multi-purpose Blades; Combination Cutter Hammermills; Rotary Cutters; Animal Draft Implements.

BULAWAYO, (55,500 sq. ft.)—Animal Draft Implements; Hoes.

BRAZIL

SAO PAULO (Perkins), (150,000 sq. ft.)—Diesel Engines.

SAO PAULO (MF), (59,000 sq. ft.)—MF 50 Tractor.

PRODUCTS MANUFACTURED BY ASSOCIATED COMPANY

TRACTORS AND FARM EQUIPMENT LIMITED—MADRAS, INDIA —MF 35 Tractor and implements.

PRODUCTS PURCHASED FROM SUB-CONTRACTORS

NORTH AMERICA—MF 95 and MF 98 Tractors; Forage Choppers; Pull-type Corn Pickers; Fertilizer Sowers; Soil Scoops; Self-Unloading and Farm Wagons; Straw Choppers; Rotary Cutters; Trenchers.

UNITED KINGDOM—Forage Harvesters; Plows; Disc Harrows; Cultivators; Tillers; Front End Loaders; Ridgers; Sprayers; Subsoilers; Post Hole Diggers; Potato Digger Spinners; Steerage Hoes; Potato Planters; Fertilizer Attachments; Weeders; Earth Movers; Wood Saws; Earth Scoops; Fork Lifts; Winches; Dump Skips; Compressors.

FRANCE—Plows; Mowers; Cultivators; Harrows; Tillers; Subsoilers; Front End Loaders; Blade Terracers; Earth Scoops; Trailers; Compressors; One-Way Discs; Beet Lifters.

GERMANY—Mouldboard Plows; Mid-mounted Mowers; Loaders; Caliper Grabs; Mounted Winches; Forestry Equipment.

SOUTH AFRICA—Reversible Plows; Forage Harvesters; Trailers.

Massey-Ferguson Limited · SUBSIDIARIES

AFRICA

REPUBLIC OF SOUTH AFRICA

MASSEY-FERGUSON (SOUTH AFRICA) LIMITED
Steel Road, Vereeniging, South Africa.
Directors: Col. K. Rood, Chairman; Dr. L. B. Knoll, Managing Director; J. W. Beith (alternate R. Ramsay); C. H. Brink (alternate R. R. A. Champion); A. A. Thornbrough (alternate R. D. Harris); K. C. Tiffany; J. G. F. van der Merwe (alternate C. J. F. Human); G. J. van Zyl (alternate J. H. Smit).

SOUTH AFRICAN FARM IMPLEMENT MANUFACTURERS LIMITED
Steel Road, Vereeniging, South Africa.
Directors: Col. K. Rood, Chairman; Dr. L. B. Knoll, General Manager; C. H. Brink (alternate C. J. F. Human); W. B. Coetzer (alternate J. H. Smit); R. D. Harris; R. Ramsay.

CENTRAL AFRICAN FEDERATION

RHODESIAN PLOUGH & MACHINERY COMPANY (1948) LIMITED
Bulawayo, Southern Rhodesia.
Directors: Sir H. T. Low, Chairman; D. J. Divett, Manager; Dr. L. B. Knoll; J. W. Phillips; R. Ramsay; L. Rothschild (alternate E. Guttentag); S. H. Veats.

AUSTRALIA

MASSEY-FERGUSON HOLDINGS (AUSTRALIA) LIMITED
2 Devonshire Road, Sunshine, Victoria, Australia.
Directors: W. E. Phillips, Chairman; H. P. Weber, Deputy Chairman and Managing Director; J. M. Baillieu; J. C. Guest; R. R. Law-Smith; M. W. McCutcheon; J. A. McDougald; E. P. Taylor; A. A. Thornbrough; C. A. Watts.

MASSEY-FERGUSON (AUSTRALIA) LIMITED
2 Devonshire Road, Sunshine, Victoria, Australia.
Directors: W. E. Phillips, Chairman; H. P. Weber, Deputy Chairman and Managing Director; J. K. Gaunt; J. A. McDougald; A. W. Moffat; A. A. Thornbrough; J. M. Vance; C. A. Watts.

EUROPE

FRANCE

MASSEY-FERGUSON S.A.
56 Avenue Victor Hugo, Paris 16, France.
Directors: W. Lattman, Président-Directeur Général; J. J. Chluski; Hotchkiss-Brandt; E. M'Ewen; W. E. Phillips; P. Richard; P. J. Roy; E. P. Taylor; A. A. Thornbrough; H. W. Waite; C. W. Webster; E. W. Young.

GERMANY

MASSEY-FERGUSON G.m.b.H.
Standeplatz 23, Kassel, Germany.
Directors: E. W. Young, Chairman; H. W. Waite, Deputy Chairman; C. Frank; W. Lattman; E. M'Ewen; K. Schnell.

ITALY

LANDINI S.p.A.
via IV Novembre, Reggio Emilia, Italy.
Directors: James Landini, Chairman; Dr. F. Fadda, General Manager; A. A. Thornbrough, Vice President; J. W. Beith; G. Canepa; M. I. Prichard; J. H. Shiner.

MASSEY-FERGUSON ITALIANA S.p.A.
23 Fatebenefratelli, Milan, Italy.
Directors: J. W. Beith, Chairman; G. Canepa; Dr. F. Fadda; J. H. Shiner; H. W. Waite.

SWITZERLAND

AGROTRAC A.G.
7 Gartenstrasse, Zug, Switzerland.
Directors: H. W. Waite, Chairman; M. Spinner, Vice Chairman; Dr. C. Stucki.

UNITED KINGDOM

MASSEY-FERGUSON HOLDINGS LIMITED
33 Davies Street, London, W.1., England.
Directors: W. E. Phillips, Chairman; E. W. Young, Managing Director; The Marquess of Abergavenny; J. W. Beith; Lord Crathorne; G. A. Hunt; Sir Anthony Hurd; W. Lattman; W. W. Mawhinney; M. W. McCutcheon; J. A. McDougald; F. A. Perkins; H. A. R. Powell; M. I. Prichard; E. P. Taylor; A. A. Thornbrough; H. W. Waite; I. J. Wallace; C. W. Webster.

MASSEY-FERGUSON (UNITED KINDOM) LIMITED
Banner Lane, Coventry, England.
Directors: E. W. Young, Chairman; G. A. Hunt, Managing Director; M. W. McCutcheon; J. A. McDougald; Dr. T. U. Matthew; W. E. Phillips; S. E. Spicer; E. P. Taylor; A. A. Thornbrough; H. W. Waite; I. J. Wallace; C. W. Webster; Dr. B. F. Willetts; P. J. Wright.

MASSEY-FERGUSON (EXPORT) LIMITED
Banner Lane, Coventry, England.
Directors: E. W. Young, Chairman; W. W. Mawhinney, Managing Director; E. J. Davies; W. E. Phillips; W. Reed-Lewis; J. H. Shiner; H. W. Waite; I. J. Wallace.

MASSEY-FERGUSON TRACTORS LIMITED
33 Davies Street, London, W.1., England.
Directors: W. E. Phillips, Chairman; A. A. Thornbrough; H. W. Waite; H. A. Wallace; E. W. Young.

EIRE

MASSEY-FERGUSON (EIRE) LIMITED
134/135 Lower Bagot Street, Dublin, Eire.
Directors: G. A. Hunt, Managing Director; J. L. O'Hagan; L. H. Pomeroy; S. E. Spicer; H. W. Waite; E. W. Young.

LATIN AMERICA

ARGENTINA

COMPANIA MASSEY-FERGUSON S.R.L.
Balcarce, 340/48, Buenos Aires, Argentina.
Limited Partnership — No Directors.

BRAZIL

MOTOTRAC MAQUINAS e MOTORES LIMITADA
Avenida Sao Joao 473, Sao Paulo, Brazil.
Limited Partnership — No Directors.

MASSEY-FERGUSON DO BRASIL, S.A.
Avenida Sao Joao 473, Sao Paulo, Brazil.
Directors: J. E. Williams, Managing Director; C. F. Hill; J. P. Fernandes; C. F. R. McLeod; Dr. Lelio do Toledo Piza e Almeida.

MEXICO

MASSEY-FERGUSON DE MEXICO, S.A. DE C.V.
393 Paseo de la Reforma, Piso 6, Mexico, D.F. Mexico.
Directors: A. A. Thornbrough, President (alternate N. E. Burgess); E. Abaroa; J. H. Shiner (alternate C. Klavins).

NORTH AMERICA

CANADA

MASSEY-FERGUSON FINANCE COMPANY OF CANADA LIMITED
915 King Street West, Toronto 3, Ontario.
Directors: A. A. Thornbrough, Chairman and President; L. J. Wolf, Executive Vice President; R. L. T. Baillie; G. S. Gordon; J. H. Shiner; J. G. Staiger; K. C. Tiffany.

SUNSHINE OFFICE EQUIPMENT LIMITED
Sunshine Avenue, Waterloo, Ontario, Canada.
Directors: L. L. Lang, Chairman; J. W. Vingoe, President; J. A. McDougald; W. E. Phillips; J. G. Staiger; A. A. Thornbrough; K. C. Tiffany.

UNITED STATES

MASSEY-FERGUSON INC.
12601 Southfield Road, Detroit, Michigan, U.S.A.
Directors: A. A. Thornbrough, Chairman of the Board; J. G. Staiger, President; L. J. Wolf, Executive Vice President; W. M. Alexander; R. W. Main; J. H. Shiner; K. C. Tiffany; H. A. Wallace.

MASSEY-FERGUSON FINANCE CORPORATION
12601 Southfield Road, Detroit, Michigan, U.S.A.
Directors: A. A. Thornbrough, Chairman and President; L. J. Wolf, Executive Vice President; W. M. Alexander; R. L. T. Baillie; G. S. Gordon; R. W. Main; J. H. Shiner; J. G. Staiger; K. C. Tiffany.

PERKINS GROUP

F. PERKINS LIMITED
Peterborough, England.
Directors: F. A. Perkins, Chairman; M. I. Prichard, Managing Director; F. E. Collis; J. G. Dawson; T. H. R. Perkins; W. E. Phillips; A. A. Thornbrough; K. E. Woollatt.

PERKINS ENGINES LIMITED
Peterscourt, Peterborough, England.
Directors: M. I. Prichard, Chairman; T. H. R. Perkins, Managing Director; J. M. G. Collins; J. G. Dawson; T. A. Read.

PERKINS OUTBOARD MOTORS LIMITED
Peterborough, England.
Directors: J. M. G. Collins; J. G. Dawson; D. F. W. McNair; T. H. R. Perkins; M. I. Prichard.

PERKINS GAS TURBINES LIMITED
Peterborough, England.
Directors: J. M. G. Collins; J. G. Dawson; C. Dykes; F. N. Kirby; D. F. W. McNair; T. H. R. Perkins; M. I. Prichard.

F. PERKINS (SOUTH AFRICA) (PROPRIETARY) LIMITED
156 Main Reef Road, Johannesburg, South Africa.
Directors: A. H. Brink; E. V. Buchanan; J. M. G. Collins (alternate A. M. Cross); T. H. R. Perkins; M. I. Prichard.

F. PERKINS (AUSTRALIA) PROPRIETARY LIMITED
Princes Highway, Dandenong, Victoria, Australia.
Directors: D. A. Gomm, Chairman; J. M. G. Collins (alternate S. C. G. Macindoe); T. H. R. Perkins; P. J. V. Ramsden; M. I. Prichard.

SOCIETE FRANCAISE DES MOTEURS PERKINS
9 & 11 Rue d'Enghien, Colombes (Seine) France.
Directors: Jean Delcroix, President and Director General; Paul Dehaynin, Assistant Director General; T. H. R. Perkins; M. I. Prichard; Emile Roche; Baron Roger; K. E. Woollatt.

F. PERKINS KUNDENDIENST G.m.b.H.
Hanauer Strasse 43, Aschaffenburg, Germany.

THE PERKINS ENGINES COMPANY INCORPORATED
12345 Kercheval Avenue, Detroit, Michigan, U.S.A.
Directors: M. I. Prichard, President; J. P. Allan, Executive Vice-President; Marion S. Harlan; T. H. R. Perkins.

MOTORES PERKINS S.A.
Avenida Wallace Simonsen 13, Sao Bernardo do Campo, State of Sao Paulo, Brazil.
Directors: Dr. M. Garcia Filho, Chairman; R. Angus Macdonald, Managing Director; A. F. Daemon; R. G. F. Griffin; C. F. Hill; F. J. W. Holt; W. Conceicao de Mattos; Dr. P. Uchoa de Oliveira; J. W. Simonsen.

PERKINS S.p.A.
Via Pasquale Paoli 9A, Camerlata, Como, Italy.
Directors: J. M. G. Collins; Dr. F. Fadda; M. I. Prichard.

"QUOTES"

W. ERIC PHILLIPS
Chairman of the Board and Chief Executive Officer

"I believe that the essential ingredient in the successful management of a modern business enterprise is the human being. No computer can ever replace the inherent leadership and creative and directing qualities of the human mind. It is in the quality of such human beings that the university can play a unique role."

. . . W. E. Phillips, Chairman of the Board and Chief Executive Officer, to the Third Annual Foster Marketing Management Seminar, Toronto, August 11, 1961.

. . . .

"The nature of our approach to the development, manufacture and marketing of agricultural equipment is indicated by the following M-F policies:

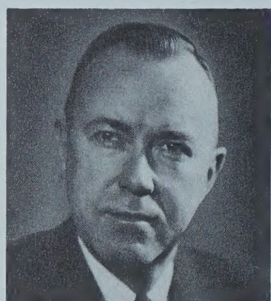
(1) Massey-Ferguson shall be internationally engaged in the manufacture and sale of farm equipment.

(2) Within its economic resources and to the extent economically feasible, we shall endeavour to be completely integrated.

(3) Insofar as possible, manufacturing resources shall be rationalized.

(4) Insofar as economically possible, standardization of products and interchangeability of components will be achieved through product specification and engineering design."

. . . A. A. Thornbrough, President, to the London School of Economics and Political Science, May 23, 1961.



A. A. THORNBROUGH
President

"We are very much an international company in an industry which has been undergoing significant changes within North America, and which has shown remarkable vigour and growth outside of North America in recent years. Notwithstanding our 114 years, we are in many respects a young company — and I am not referring only to the average age of our world-wide corporate staff which happens to be 49, or to the average age of our general managers around the world, which is just under 46. I refer to the renewed vigour that has resulted from the far-reaching reorganization we began upon somewhat less than five years ago."

. . . A. A. Thornbrough, President, before the New York Society of Security Analysts, December 12, 1961.

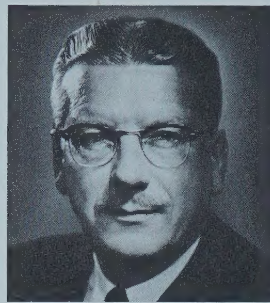
. . . .

K. C. TIFFANY
Vice President Finance

"The businessman does not have a natural preference for any one market over another. His objective is to provide a product and a service which will earn a sufficient return on his investment to ensure perpetuation of the investment/profit/investment cycle. It may well be a statement of the obvious, but worth restating, that the profit motive in entering into an overseas operation must be regarded in the light of the truism that world trade must expand or petrify. The essential problem is one of getting world capital oriented to world resources and markets, and it is an uncomfortable fact that, left to themselves, governments of the world generally tend to erect formidable barriers and create restrictive practices in the way of world economic progress in the short term."

. . . K. C. Tiffany, Vice President Finance, in an article in The Canadian Chartered Accountant, January 1962.

. . . .



H. A. WALLACE
Vice President Manufacturing

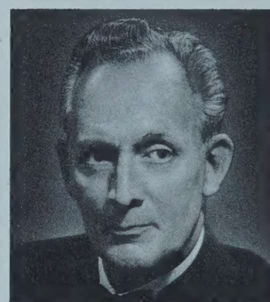
"Everyone who is involved in this international field of production stands in an enviable position to make a major contribution to the improvement in world-wide understanding and respect amongst all peoples."

. . . H. A. Wallace, Vice President Manufacturing, to the American Society of Mechanical Engineers, Toronto, Ontario, May 10, 1961.

. . . .

"It is my personal belief, that, in the framework of appropriate multilateral arrangements, we can find a wider market for many of our manufacturing industries while at the same time expanding the export of our primary products, particularly if we secure for ourselves a share of that ever-increasing segment of our foreign markets, the developing countries."

. . . W. Lattman, Group Vice President, to Canadian Textile Conference, Montreal, Quebec, February 8, 1961.

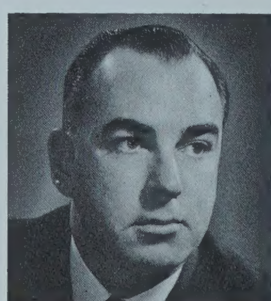


W. LATTMAN
Group Vice President

"It is for most of us axiomatic that the free enterprise system should be judged (and justified) by its effect on, or rather by the benefits for, the average consumer, and not by what it does for the entrepreneur, except in the way of incentive. The degree of freedom of competition and the many concepts of what constitutes fair competition are important facets of this problem, and they also are important among the many things that make up the business climate of each country. Each country acts in this field according to its history and its state of evolution — or sophistication."

. . . W. Lattman, Group Vice President, at the International Industrial Conference, San Francisco, California, U.S.A., September 11-15, 1961.

. . . .



J. A. BELFORD
Vice President Personnel and Industrial Relations

"Employee benefits furnish for employees a package of protections or cushions — sometimes financial, sometimes procedural — against illness and accident, reduced income, unemployment and old age. They also include provisions for leisure and social amenities. For employers, these extra-wage terms and conditions of employment represent a major element of labour cost — an element of cost that can and does affect the domestic and foreign competitive effectiveness of the business."

. . . J. A. Belford, Vice President Personnel and Industrial Relations, to the Canadian Manufacturers Association, Vancouver, B.C., June 6, 1961.

PRINTED IN CANADA
SAMPSON-MATTHEWS LTD

Mobility, versatility and ease of operation combine to expand the use of tractor-powered light industrial equipment. Interest in and demand for this equipment has spread from North America to many other countries and increasing availability of our industrial products is enabling M-F operations in United Kingdom, Europe, Australia, and elsewhere to share in and develop with this growing market. The crawler tractor with front end loader photographed in Rome at the Arch of Constantine near the ruins of the Colosseum is built by Landini S.p.A., a Company subsidiary in Italy.

International sales during the 1961 fiscal year by the Perkins group, exclusive of those to Massey-Ferguson, were approximately $53,000,000, an increase over 1960 of 9 per cent. Perkins, the largest maker of diesel engine units in the world, is in a strong position to continue development with the expanding market for diesel engines for agricultural, automotive, marine and industrial application. A factor in the success of Perkins is the marked emphasis on research and quality along with the continuing development of new products. The happy vacationers approaching the Milton Ferry Bridge on the river Nene, near Peterborough, England, and the farmer on the M-F tractor have a common interest — they are both users of Perkins engines.